

Message Text

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ACTION EB-08

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 7609

C O N F I D E N T I A L ADDIS ABABA 1142

E.O. 11652: GDS

TAGS: EAIR, ET

SUBJECT: ETHIOPIAN AIRLINES' EFFORTS TO BUY NEW BOEING 727'S

REF: ADDIS ABABA 1067

1. IN MARCH 7 MEETING WITH CHARGE AND ECON OFFICER, ETHIOPIAN AIRLINES (EAL) GENERAL MANAGER BRIG.-GEN. TAFESSE AND CHIEF FINANCIAL OFFICER BERHANU CONFIRMED EAL INTENTIONS, AS INITIAL STEP IN FIVE YEAR EXPANSION PLAN, TO PURCHASE FROM BOEING TWO NEW 727 AIRCRAFT FOR DELIVERY IN 1979. COST OF TWO PLANES IS AN ESTIMATED US \$ 42 MILLION, OF WHICH EAL PLANS TO PAY 30 PER CENT DOWN. THE PLAN ENVISAGES ANOTHER TWO 727 PURCHASES IN 1980, AND ONE OR MORE WIDE-BODIED AIRCRAFT PURCHASES BY 1984.

2. ATO BERHANU, WHO WAS RECENTLY IN THE U.S., STATED THAT BOEING (H.W. HAYNES, EXEC. V.P. AND CHIEF FINANCIAL OFFICER) WAS COOPERATING FULLY IN ATTEMPTING TO ARRANGE FINANCING OF REMAINING 70 PERCENT COST. HE AND BOEING OFFICIALS MET WITH EXIM OFFICIALS JOHN W. LENTZ AND RANDOLPH A. SWARTZ ON MATTER. ACCORDING TO ATO BERHANU, EXIM OFFICIALS STATED THAT THE FINANCIAL ASPECTS WERE GOOD, BUT THERE MIGHT BE SOME POLITICAL DIFFICULTIES.

3. OSTENSIBLE REASON FOR BRIG.-GEN. TAFESSE'S CALL WAS TO
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ENLIST EMBASSY SUPPORT FOR PLANNED PURCHASE. HE STATED THAT EAL STUDIES HAD DETERMINED THE 727 WAS THE MOST SUITABLE AIRCRAFT FOR THEIR IMMEDIATE PURPOSES, AND THE PREFERRED AIRCRAFT OF THE EAL HIERARCHY. AT THE SAME TIME HE INTIMATED THAT THERE WAS CONSIDERABLE PRESSURE FROM EPMG ELEMENTS TO "BUY COMMUNIST".

4. CHARGE TOOK OCCASION TO RAISE QUESTION OF NATIONALIZATION

OF U.S. PROPERTY IN ETHIOPIA, EXPRESSING CONCERN THAT LACK OF PROGRESS IN COMPENSATION MIGHT ADVERSELY AFFECT EXIM'S ABILITY TO ASSIST IN MEETING EAL'S FINANCIAL REQUIREMENTS. BRIG.-GEN. TAFESSE INQUIRED AS TO THE AMOUNT OF COMPENSATION INVOLVED, AND WAS TOLD THAT IT WAS ROUGHLY ESTIMATED TO BE IN THE NEIGHBORHOOD OF US\$ 20 MILLION. HE SEEMED SURPRISED THAT SUCH A RELATIVELY SMALL SUM COULD GENERATE SO MUCH FUSS, AND HE INDICATED THAT HE WOULD LOOK INTO THE MATTER.

5. EMBASSY WOULD APPRECIATE BEING KEPT UP TO DATE ON NEGOTIATIONS BETWEEN EXIM AND BOEING/EAL.

6. COMMENT: WHILE COMPENSATION QUESTIONS AND IMPORTANT CONSIDERATION, THE EMBASSY HOPES THAT THE VALUE OF THIS EXPORT, PLUS POTENTIAL FUTURE RELATED EXPORTS, TOGETHER WITH POLICIAL CONSIDERATIONS, SUFFICIENT TO ALLOW A POSITIVE U.S. RESPONSE TO BOEING/EAL REQUEST FOR FINANCIAL ASSISTANCE. DESPITE ENLISTING BRIG.-GEN. TAFESSE IN CAUSE TO RESOLVE COMPENSATION PROBLEM, EMBASSY IS NOT OPTIMISTIC OVER QUICK RESULTS. THE EMBASSY FINDS IT NOTEWORTHY THAT EAL REPORTS IT HAS NO DIFFICULTY IN OBTAINING THE US\$ 12.6 MILLION DOWN PAYMENT.
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